

# The Strategy Challenge

## Part one

In the first of a two-part article David Baskerville explores the challenges around making technology central to the strategic management of law firms.



**We are at that point in the legal profession when you'll find few dissenters to the view that technology should sit at the heart of the practice. It is the 'Great Enabler' and more than that, it is increasingly pivotal to survival as both competition and client demands intensify.**

But sharing a view is one thing. It's quite another to effect the cultural and management changes required to embed technology, and make technology central to the management of law firms where a more traditional culture still enforces a divide between lawyer 'owners' and 'other staff'. In this two-part article, we will touch upon the obstacles to placing technology at the strategic core of law firm decision-making, and suggest a few measures that may go some way towards overcoming them.

One of the main problems is communication. Many senior lawyers and law firm managers matured in a world 'without tech', which has impacted understanding of, or interest in it. They may now use it – because they have to – but they are using it by rote and without understanding the underlying complexity of the technology.

Being lawyers, they are busy with lawyering, and may be impatient with (or even hostile to) something they don't really relate to. Technologists, on the other hand, use their own jargon and are focused on technology rather than the business outcomes that are the concern of managers and owners.

## Key takeaways

1. IT needs a seat and a voice at the top table
2. IT must take an active interest in what lawyers do and how they do it
3. Additional resources and support for the IT head should be considered
4. Cultural change has to be planned for just as much as technological change
5. Technology, process and people have to be far better aligned and integrated than at present

There is no quick fix. It requires patience and understanding from both sides. As a first step, it may help to promote the IT director/ IT manager to the main board, or management committee of the firm. It is vital that IT has a seat – and a voice – at the top table, and should be involved in all the firm initiatives. However, the entire IT team should be encouraged to emerge from the basement and take an active interest in what lawyers do, how they do it and the pressures they face.

This will not always be easy. IT leads and their teams may be outstanding technically and operationally, but may not have the business awareness. That's fair enough, there's enough work in deploying and managing the tech, without asking themselves what the purpose of it is.

## Helping IT play a strategic role

Lawyers and senior managers should recognise that this may be an obstacle, and that the technical team needs help in overcoming the barrier between 'pure' technology and the business need. Coaching and mentoring might be one way to improve understanding of the wider business. Or job shadowing or role swaps for a day. And if all else fails, and the technical team – or some of them – do not develop, then the decision needs to be taken whether their technical skills are sufficiently valuable for them to remain in a purely technical role or whether the IT team has to be rebalanced with more business-savvy technicians.

In any event, a restructuring of the IT team (or how IT engages with the business) may well be needed. IT directors – even those with the necessary strategic vision and business nous – have to wear so many hats that it is virtually impossible for them to give full attention to both their technical and business responsibilities. Consider: providing strategic leadership for the IT function, operationally managing several functional specialisms, project managing several concurrent projects most likely, keeping on top of technical developments and innovative new technologies, actively participating and advising at an executive level – how is that possible for any one human being?

Additional support and resources would be one route. A recent trend – certainly amongst larger firms – is to appoint a dedicated person to lead an 'Innovation team', to assess how emerging technology can benefit the business. It may also be necessary to employ additional layers of management for the IT team – for example, bringing in an operations manager, or engaging a project manager to cover off major projects.

And yes, this is going to cost the firm additional investment in IT. Accept it – IT is

no longer merely an operational overhead. It has become essential to business operations, process efficiencies and creating 'sticky clients'. Recurring surveys of the mid-market highlight that three-quarters of the IT budget is still spent on keeping the lights on. Now if mid-market firms are going to exploit technology to improve profitability and gain competitive advantage (on the positive side), or ensure their continued survival (on the threat side), then investment in both resource and tech will have to increase significantly.

## Culture has to change too

But investment is the easy bit. If we are going to overcome the disconnect between law firm business goals and the tech that supports it, then we also need to look at making a deeper cultural shift.

All lawyers – not only partners – need to accept that technology has become central to what they do. In fact, the likelihood is that the practice of law will fundamentally change over the next decade under the impact mainly of technological advances.

They won't drive change on their own, it's more about the major impact that new capabilities will have on client expectations and requirements. You only have to think of Uber, Airbnb and Netflix to see how comprehensively – and so rapidly – new tech-driven models can alter consumer behaviour and expectations.

The phenomenon is not a new one. Since the dawn of the first industrial revolution we have lived in an environment of never ending technological advances. History attests that businesses that adapt to – and take advantage of – such changes have created the competitive advantage to survive and thrive. But today's challenge is the sheer exponential speed of change and wave of IT opportunity.

Someone's opportunity is often another person's threat. We need to accept that some legal jobs are likely to disappear, or be undertaken in a different way as process automation, artificial intelligence and robotics take over. Thus lawyers – particularly the younger ones – need to face up to the fact that if they keep on working and thinking the way they currently do, they might find themselves less relevant or even potentially obsolete.

We talked above of investment being the easy bit – but senior lawyers/partners still have to commit to it, and be prepared to spend significantly and consistently in the future success and survival of the firm. While this year's PEP, their own retirement plans and/or the children's school fees will inevitably remain major considerations when investment decisions are made, they cannot be indifferent to the continuation of the firm beyond their tenure. There is a long-held view that the partnership model itself inhibits long-term strategic thinking and investment. Yet it is noticeable that relatively few existing firms have embraced the ABS model – or have tools in their partnership deed to manage the long-term return on today's investments.

We suggest that the question of converting to an ABS – with access to external financing, providing incentives for non-lawyer professionals and experts to buy into the success of the firm, and a wider range of options to provide for the long-term benefit of current equity partners – should be revisited, or at the very least, kept under review.

Accept that the past is no longer a predictor of the future. The future is upon us, and it will be as nothing we have ever known. Yes, there has been a veritable tsunami of digital ink expended on 'change' – but it's here now, the time for talking about it has passed. If you still need convincing – or proof – that we are entering a world in which the very fabric of our lives, as well as the work we do, is predicated on technology, think of Facebook. Two billion active users 18 years after the start-up. Think of Uber and Airbnb – the world's

largest taxi fleet and hotel chain, and yet they own not a single taxi or hotel. Quite an achievement in five years.

Generally speaking, we're not great with change. There's a comfort in the constant, a reassurance in the familiar. And for lawyers, particularly successful ones, it is even more difficult – they know their world, their subject, they're combative, competitive, challenging, logical and carry with them great focus and certainty.

It's an indomitability and confidence that has brought amazing rewards to some, an excellent living to many. Thus, adjusting to a technological world that is not their natural habitat, one that makes them vulnerable rather than vigorous, one that uses different logic to what they are used to, that can be challenging at best.

At worst, it can lead to a damaging denial of the need for change.

## Planning your next move

So how best to go forward? The first and most difficult step is always acceptance – recognition that change needs to happen, and that help is needed to effect that change. This requires strong leadership – and bravery – from the top, and a genuine grasp of the brief. It may very well require professional coaching. In the wider business context, compared to the legal ABS start-ups and the accountancy firms, lawyers are often akin to wide-eyed innocents as regards the all-encompassing changes in mindset, in culture and in business structures that are required to grow and prosper in the coming years.

There is little point in implementing a new practice management or document management system without also enhancing the processes for using those systems, without bringing on board all the people who will be using those systems, and without finding newer, better ways of conducting your business and delivering a better service to your clients.



Sadly, this focus on change and system adoption is often lacking in firms implementing technology; there's that naïve expectation that simply buying a new system will make everything better. But technology will never be a silver bullet to solve systemic business issues, and indeed can add to them without proper management.

**There's that old industry mantra – technology, process and people. But the three elements need to be aligned in a far more integrated manner, and firmly embedded in the business strategy of the firm. We have seen so many IT projects fail because they were implemented as just that, an IT project. Either existing processes were not fundamentally reviewed or new ones considered, or the people did not engage with the changes – or both.**

Therefore facing up to the challenges of 2020 and beyond will require deep cultural, and possibly structural change in all organisations. To paraphrase Henry Ford on meeting the challenges of an earlier revolution – there is no point in using the combustion engine to power a faster horse.



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